

**STATEMENT OF
JUNE GIBBS BROWN, INSPECTOR GENERAL
DEPARTMENT OF HEALTH & HUMAN SERVICES**

**Before the House Government Reform & Oversight
Committee; Subcommittee on Government Management,
Information and Technology**

**"Oversight of the Inspector General Act of 1978"
August 1, 1995**

Introduction

Good afternoon, I am June Gibbs Brown, Inspector General, Department of Health and Human Services (HHS) and interim Inspector General of the Social Security Administration. I am also Vice Chair of the President's Council on Integrity and Efficiency.

The President's Council on Integrity and Efficiency (PCIE) is an interagency committee charged with promoting integrity and effectiveness in Federal programs. The PCIE is chaired by the Deputy Director for Management of the Office of Management and Budget (OMB) and comprised principally of the 29 Presidentially appointed/Senate confirmed (PAS) Inspectors General (IGs). As a group, the PCIE is focused on two primary objectives: mounting collaborative efforts to address integrity, economy and effectiveness issues that transcend individual Federal agencies; and increasing the professionalism and effectiveness of IG personnel throughout the Government.

The PCIE was established by Executive Order in 1981. The Executive Order was revised and reissued in 1992 to reflect changes that had been made in the Inspector General Act of 1978 (IG Act), as amended. At that time the PCIE membership was expanded to include additional PAS IGs and the President established the Executive Council on Integrity and Efficiency (ECIE). It consists principally of the competitively appointed IGs at designated Federal entities. The PCIE and ECIE share the same overall mission and objectives.

At the Subcommittee's request, I will base my testimony on the IG Vision Statement, as developed by the PCIE and ECIE. In doing so, I will focus on the role and relationship of the Offices of Inspector General (OIGs) with the rest of their organizations, the methods and manner by which the IGs formulate their audit and investigative initiatives, the activities and initiatives of the PCIE, and the way in which the IGs report to their customers — Agency Heads and the Congress.

Inspector General (IG) Act and IG Mission

The Inspector General Act of 1978, as amended, established independent audit and investigative units called Offices of Inspector General at 61 Federal agencies. These offices were created due to

Congressional concern with the integrity and effectiveness of agency programs. The primary mission of IGs is to prevent and detect fraud, waste and abuse in agency programs and operations and to promote economy, effectiveness and efficiency within the agency. Our trademark is independence and objectivity in analyzing agency programs, activities and initiatives.

IG Vision Statement

The last several years have exhibited an increased focus on customer service within the entire Federal government. In response, agencies are developing comprehensive mission and vision statements, strategic plans and performance indicators. In addition, agencies are surveying their customers to ensure that their needs are being met. In keeping with the government wide initiatives, the PCIE and ECIE unanimously adopted an IG Vision Statement in January 1994. The Vision Statement --

"We are agents of positive change striving for continuous improvement in our agencies' management and program operations, and in our own offices."

and guiding principles, which I request be submitted for the record, are articulations of the way in which IG offices have consistently operated. As an IG since 1979 at 5 agencies, I have always managed my office with the following primary goal — provide agency decision makers with the solid factual information which will enable them to make timely and informed policy decisions and which protect their beneficiaries. Let me assure you that my philosophy and that underlying the Vision and guiding principles in no way abandon or dilute the statutory responsibilities of the Inspectors General. Rather, they illustrate how we can best carry out our duties in collaboration with our agency managers and concurrently accomplish our legislatively mandated mission.

Under the original and revised Executive Orders creating the PCIE and ECIE, the Chair of the Councils has an obligation to report to the President on the activities of the PCIE and ECIE. Since 1981, the Chair has met that obligation through issuance of PCIE progress reports. Beginning in fiscal year (FY) 1993, this report was issued jointly by the PCIE and ECIE. The FY 1994 report, which will be published in the next several weeks, focuses on innovative, effective and complex actions in support of the principles in our Vision Statement. The following examples illustrate the efforts taken to develop positive agency relationships leading to positive program improvements:

* The Commerce Department OIG collaborated with the Secretary of Commerce Executive Management Team to develop a set of principles to guide OIG-agency interactions. Those "Principles for Progress," signed by the Secretary, the Inspector General and 17 other top Department officials, describe how they will work together for positive change and continuous improvement through a spirit of cooperation and openness.

* The OIG at Housing and Urban Development (HUD) has been an active participant in the proposed restructuring of their Department. The HUD OIG provided the Secretary

34 major change options, which were major components of the Secretary's blueprint for change.

* The Environmental Protection Agency (EPA) OIG worked on cooperative projects with Agency managers to improve the integrity of scientific and financial information and Superfund accounting. The OIG also conducted a broad, top level review of the EPA Information Resources Management (IRM) program. Working cooperatively with Agency personnel, the OIG catalogued all significant causes of EPA IRM problems. The OIG also reviewed the EPA financial management program to identify problems and recommend solutions. Further, the OIG worked extensively with the Agency to reengineer its Federal Managers' Financial Integrity Act process.

* The OIG at the Agency for International Development (USAID) is a member of the Quality Council. The Quality Council is a part of the USAID reinvention effort. The USAID has been identified as a reinvention laboratory under the National Performance Review (NPR). The OIG also has a representative on the reengineering referencing group, another activity of the NPR reinvention effort. The group is reviewing the Agency's operating systems that are believed to be overly cumbersome and extremely inefficient.

* The OIG at the Small Business Administration (SBA) has become an active participant in numerous Agency Task forces formed by SBA to support the Agency's Performance Agreement between the Administrator and President Clinton. During fiscal year 1994, the OIG participated in over 30 task forces throughout the Agency. The task forces addressed the general areas of business loans, minority enterprise development, disaster loans, Government contracting, economic development and SBA administration.

Role and Relationship of IGs

In fulfilling our mandated mission, we, as IGs have two distinct roles. The first is to promote efficient and effective program management and deter future problems and the second is to find and report on current problems. Thus our job is not only to recommend positive changes but also to, from time to time, be the "bearer of bad news." Additionally, we are among the very few officials whose direct "customers" include both agency heads and the Congress. Our customer service obligations also extend to those program administration officials who act on IG recommendations, as well as agency employees and the taxpayers who benefit from the IGs' review of Government programs and operations.

Legislation precludes us from performing "program operating functions." We analyze programs and advise our customers, both management and the Congress, of ways in which programs can be improved. Although we perform an oversight role, we are not adversaries of program managers. IGs and program managers share a common goal of improving Government programs.

I must also make the point that a focus on program improvement and customer service does not preclude the need to conduct compliance auditing. For instance, compliance auditing is a means by which we ensure

the safety of our national blood supply and the integrity and accuracy of procedures such as mammograms -- both of which are imperative to the health of our nation. Also a GS-14 at the Bureau of Engraving and Printing stole \$1.7 million in test currency. Auditing the Bureau's compliance with security regulations can prevent this type of incident from reoccurring. The job of the IGs is to accomplish their mission through a series of program audits, compliance audits, inspections/evaluations, and investigations. Each of these contributes significantly to overall IG effectiveness.

Audit Initiatives

The formulation of high level strategic plans and comprehensive work plans is a key to our success. These plans enable us to adequately focus our scarce resources to high vulnerability and systemic problem areas. In addition, they help us ensure that our plans are consistent with agency and congressional program goals and priorities. These plans cannot, however, be developed in a vacuum. In fact, one of our guiding principles states the fact --

"we will consult with our customers so that we may
provide the types of OIG analyses and services that
best enable them to promote economy, effectiveness and
efficiency in government programs"

IGs have traditionally solicited input from senior agency managers during the work planning process. In addition, IGs, in consultation with their program organizations, are developing strategic plans which reflect agency goals and priorities. Finally, many IG offices have surveyed their agency customers to obtain feedback on how IGs' can improve their review processes and become more effective in assisting program managers. In no way do we allow these collaborative efforts to impinge upon the statutory independence of the IGs. Rather, we find these efforts enable us to be more effective in carrying out our overall mission.

The following examples, extracted from the FY 1994 Joint PCIE/ECIE Progress Report, illustrate the collaborative means by which work planning and strategic planning are conducted.

* The Department of Interior OIG has continued to involve senior level departmental and bureau officials in its audit planning process by requesting written input for the plan and following up on the input through meetings with officials. Also, the OIG drafted a customer survey questionnaire for distribution to auditees, which will assist the OIG in ensuring that its audits are of benefit to departmental and bureau officials and in learning where improvements may be needed in its audit operations.

* The OIG at the Department of Agriculture historically interacts with agency managers to solicit their input for the annual planning process. This collaboration helps ensure that OIG audit, investigative and evaluative efforts address those issues of greatest concern to management and cover those areas where managers indicate that control weaknesses exist. This past fiscal year, the OIG expanded the involvement of agency program management by inviting them to a mid-year planning session to discuss the work completed and work

in the planning stages.

* At the HHS OIG, we redesigned our work planning process to more thoroughly involve the Department's operating division in its development. The staff meets periodically with operating division staff (particularly in the early stages of the year's work planning cycle) to discuss the programs and to develop a strategic focus for the work plan. Once the work plan is drafted, it is distributed to operating division senior managers for comment and is changed to incorporate new or refocused areas. Involving the operating divisions up front, enables our work to be more relevant, timely and useful.

* The Department of Commerce OIG was among the first in the PCIE community to commission a survey to solicit opinions on where improvements could be made in its audit and inspection products and services and in its relationships with its "customers." A client survey reached 261 Commerce managers, Office of Management and Budget personnel, and congressional staffers. Although about two-thirds of the respondents gave the OIG average or better ratings, there were recommendations for improving operations. The OIG developed an action plan to implement recommendations.

* The Federal Emergency Management Agency (FEMA) OIG launched a customer service initiative during fiscal year 1994 by conducting focus group interviews with an important customer group -- FEMA program managers. The focus groups provided reflective, balanced and candid views and constructive suggestions. The agency plans to survey its other customers and will publicize the results and actions taken to implement recommendations.

* The Office of Investigations at the Railroad Retirement Board (RRB) OIG released a customer service survey to all RRB field service personnel. The survey asked the field service staff to provide input on the level of service provided and ways to improve the service. Over 65 survey responses were received to date. A task force of auditors, investigators and support staff has begun analyzing the results.

* The PCIE commissioned a task force to develop "Customer Service Survey Working Principles." This document provides guidelines for the development, implementation and analyses of IG customer surveys. The document was well received by the PCIE community and is considered a valuable resource in assessing customer needs.

As stated previously, audit priorities are driven by agency-specific goals and program priorities as well as those areas identified as having a high-vulnerability for fraud, waste and abuse. The individual IGs work closely with agency management and are cognizant, based upon previous audit and investigative activities, on which areas should garner the most attention during any given period. The following examples highlight individual OIG audit and investigative priorities during fiscal year 1994:

* Using commercially developed computer security software, the Defense OIG audited

the controls for several Defense computer systems. Material internal control weaknesses in security were identified at five computer centers supporting the Defense Finance and Accounting Service. As a result of the audit findings, the DoD undertook a number of initiatives to improve computer security, such as the establishment of a task force to detect and prevent financial fraud via computer, known as "Operation Mongoose." The team will target areas for computer matches to identify trends and anomalies that indicate potential integrity breaches of DoD financial systems by employees, retirees, contractors and other unauthorized individuals. Successful matches will be repeated routinely in the future as internal management controls.

* The student financial assistance programs continue to be the number one high-risk area for the Department of Education. With the advent of the new Federal Direct Student Loan (Direct Loan) program, loan capital is provided directly to students and parent borrowers by the Federal Government rather than through private lenders. Loan volume under the program will grow exponentially. To assist the Department in the development of the Direct Loan program, the OIG chartered an interdisciplinary advisory team of accountants, technology specialists, auditors and program analysts, who will provide planning, implementation and follow-through assistance to help ensure that appropriate controls are designed into the system. The OIG also provided assistance through advisory team participation in negotiated rulemaking sessions for the development of implementing regulations.

* The Department of Housing and Urban Development (HUD) OIG devoted priority resources to the development of a new anti-crime initiative, "Operation Safe Home," the goal of which is to stop major abuses in HUD programs that result in unacceptable living conditions for the millions of needy people who look to the HUD for help. Facilitated by the OIG, "Operation Safe Home" brings the coordinated resources and expertise of the HUD, the Departments of Justice and Treasury, and the National Drug Control Policy Office, as well as state and local law enforcement agencies and public housing agencies, to bear on violent and white collar crime in public and assisted housing.

* The OIG Office of Investigations, at the Department of Veteran's Affairs (VA), detects and investigates means by which employees defraud the program and operations of the VA. In each instance, management was advised of the weakness or complete breakdown in the system that allowed the illegal activities to take place. The OIG then worked with management to enact changes to preclude recurrence. For example, after arrests and convictions for large-scale drug diversion at one medical center, a Management Implications Report was prepared. The Director of the VA Pharmacy Service then convened a 3-day meeting of various chiefs of pharmacy from different medical centers to discuss ways to preclude that type of diversion at other VA medical centers.

* In an effort to curb runaway Medicaid costs we, in the HHS OIG, have formed partnerships with state auditors and evaluators, as well as staff at the Health Care

Financing Administration, to undertake joint projects for improvement of the program. The projects are intended to produce mutually beneficial results and savings at the Federal and state levels. The OIG is sharing the methods and results of earlier Medicare and Medicaid projects to provide state auditors with leads for cost savers. In turn, the OIG will use the results of the state audits to estimate the national impact of successful recommendations implemented at the state level. Partnerships between OIG and state auditors/controllers in North Carolina, Louisiana, New York and Massachusetts are already completed and programs in 27 other states are ongoing. The OIG is using that same approach with other Federal/state programs.

Investigations

In addition to conducting audits and inspections, the IG Act requires IGs to provide policy direction for and to conduct, supervise and coordinate investigations relating to their agencies' programs and operations. Prior to the passage of the IG Act in 1978, audits and investigation activities were not coordinated within agencies -- if an investigation unit existed at all. During the life cycle of an investigation, OIGs work cooperatively not only within their own office but with other Federal, State and Local law enforcement officials as well. Because OIGs often work cases with the FBI, the Assistant Director of the Criminal Investigative Division of the FBI is a member of the PCIE.

The OIG investigations cover a full range of criminal and administrative issues as follows:

A. OIG investigations of contractors, program participants and Government employees can lead to criminal and/or civil prosecutions. These prosecutions result in convictions that carry penalties such as prison terms, fines, settlements and recoveries to the Government. During fiscal year 1994, PCIE OIGs working independently, or with other Federal and non-Federal investigative agencies, obtained 4,433 successful prosecutions, including pretrial diversions.

B. OIG investigations can result in the suspension, debarment or exclusion of individuals or entities doing business with the Federal Government. During FY 1994, a total of 4,148 debarments, exclusions and suspensions were imposed on individuals and entities doing business with the Federal Government.

C. Investigations conducted by OIGs often lead to recovery of money or property. Investigative recoveries come from a variety of sources including: recoveries made during investigations, legally ordered fines and penalties, restitutions and recoveries, out-of-court settlements or penalties imposed through administrative proceedings. Due to PCIE OIG investigations, in FY 1994, over \$1.8 billion recovery dollars were returned to the United States Treasury, program, trust or operating funds, or other Federal and non-Federal entities victimized.

D. OIGs are also responsible for investigating Federal employees suspected of

wrongdoing. In FY 1994, OIG investigations led to 2,970 personnel actions. Such actions include terminations, formal reprimands, suspensions and demotions.

In addition to the above, the HHS IG has additional authorities which provide alternatives to criminal or civil prosecution following an investigation. If the DoJ declines a case for criminal or civil prosecution, the OIG may exercise the Department's administrative authorities for imposing sanctions as provided for in the Civil Monetary Penalty Law and the mandatory exclusion provisions in the Social Security Act. Utilizing these authorities, in FY 1994, we at HHS assisted in the collection of more than \$440 million in penalties and assessments and imposed 1,265 administrative exclusions.

The following are examples of the types of investigations conducted by the OIGs:

* As a result of a Department of Agriculture investigation, 43 individuals were arrested in New York City for allegedly obtaining food stamp authorizations for "sham" retail stores through which they laundered millions of dollars in illegally obtained food stamps. It was estimated that over \$40 million in food stamps were redeemed through the bogus stores.

* A Department of State OIG investigation determined that five Delaware residents had used a fictitious fund allegedly sponsored by the Department of State to defraud two Miami churches of more than \$125,000. The defendants were named in a 20-count indictment from a Federal grand jury in Miami on charges of wire fraud, mail fraud, conspiracy, money laundering, and interstate transportation of stolen money acquired by fraud. Warrants Upon Indictment were issued, and three of the five defendants were arrested by OIG agents, who also executed search warrants, resulting in the seizure of additional evidence, two vehicles, and a large quantity of cash.

The first of the three defendants pleaded guilty to all charges and was subsequently sentenced in Federal District Court at Miami to 9 years' imprisonment, 3 years' probation, \$125,450 restitution, and a \$1,000 assessment. After a 3-week trial, a jury found the other two defendants guilty on all charges. The second defendant, who played a more minor role in the scheme, was sentenced to 18 months' imprisonment, 2 years' supervised probation, and a \$50 assessment. The third individual was sentenced to 78 months' imprisonment, fined \$15,000, and ordered to pay \$125,000 in restitution.

* A Department of Defense investigation found that Raxon Technology Corporation, a manufacturer of military fuses for artillery shells, mines and other munitions, attempted to export illegally 300,000 sets of M739A1 artillery fuse components to the Al Fao State Organization under an export license that only authorized it to export to the Jordanian Armed Forces. Al Fao is an Iraqi military procurement ministry. As a result of the investigation, Raxon was placed on 6 months probation and ordered to pay \$500,000 fine and a \$125 special assessment. In addition, the company was to be dissolved within 180 days.

Reporting

Statute requires the IGs to report to the agency head through individual reports and communicate to the Congress through the agency head via the semi-annual report. Individual report development and issuance procedures are dictated by the auditing standards set by the Comptroller General of the United States. Draft audit reports are sent to the agency program director for review and comment. Comments received from the agency are subsequently published with the final report. The Semi-Annual report summarizes IG initiatives, recommendations for program improvement and accomplishments. The report is sent to the agency head for a thirty day comment period although the agency may not make any substantive changes. The IG subsequently issues the report to the agency head who in turn forwards the report to Congress.

Resources

The ability to participate in agency-wide program improvement teams, conduct adequate planning activities, fulfill customer needs, and ensure the professionalism of our staff is highly dependent upon available resources. IG resources are diminishing at a rapid pace, however. But our efforts continue to result in impressive savings to the taxpayer.

Statistics for all PCIE IG's together show that Agency managers agreed with over \$12 billion in audit and inspection recommendations that funds be put to better use; and that \$3.4 billion in questioned costs be disallowed. That means, as a result of audits and inspections conducted by the IGs, \$15.4 billion taxpayer dollars were not spent by the agencies. In addition, FY 1994 PCIE IG investigations led over \$1.8 billion in investigative recoveries. In FY 1994, my office alone, saved \$8 billion -- a return on investment of \$80 to every \$1 spent an average of \$6.4 million per OIG employee.

Unfortunately, as IG resources decrease so will our accomplishments. In addition, we are also bound by other statutes, such as the Chief Financial Officers Act, to implement other requirements for which many of us are not funded. These statutes further limit our resource use and are yet another factor to consider when setting our priorities.

PCIE Initiatives

The PCIE is the means by which the IG community support each other through joint projects and initiatives to review government wide programs and improve the overall effectiveness and efficiency of the community at large. We use a committee structure to carry out PCIE initiatives. Recently, we reorganized and streamlined the Council committee structure to promote maximum impact and participation. For example, we eliminated "project-specific" committees and elevated those subcommittees we deemed important to full committee level. There are 6 committees (Audit, Evaluation & Inspections, Investigations, Integrity, Legislation, and Professional Development). Most government wide reviews fall within the three functional areas of audit, inspections and investigations. For those undertakings that do not "cleanly" fall within an established committee, we create a task force to manage the project to completion. Examples of current PCIE initiatives include:

- * Review of procurement contracting across Government under OMB Circular A-76;
- * Review of Electronic Benefit Transfer programs focusing on program security, integrity and validity measures;
- * Development of a draft Executive Order to establish the procedures for investigating "administrative" / non-criminal allegations against IGs;
- * Monthly forums sponsored by the Professional Development Committee on various topics of interest to IGs and their executive staffs; and
- * A task force on IGnet, the IG internet resource for public access to IG audit, inspection and semi-annual reports.

These activities are important in that they allow IGs to share knowledge, expertise, resources and lessons learned. In addition, they provide consolidated recommendations and actions from which the Congress and Administration can make informed policy decisions.

Conclusion

These are particularly challenging times for OIGs that are engaged in investigating, auditing, and evaluating Federal programs in the midst of dramatic change and reinvention. Nevertheless, it is during these times of program consolidations, agency restructuring, work-force streamlining, and process reengineering that we have a unique opportunity to apply our skill and objectivity to help the Administration and the Congress find ways to achieve a government that truly works better and costs less.

I am pleased that many members of Congress work with the IGs, review reports which deal with specific programs of interest, and consult agency semi-annual reports for information regarding the activities of the IGs. This concludes my testimony and thank you for this opportunity to testify today.